SPECIAL ECONOMIC FEATURE JULY 10, 1978
FRED COOPER

FOREIGN BANKS FLOCK TO U-S
(VOICED PIECE AND INSERTS IN TAPE LIBRARY)

ANNCR: THE GROWTH OF FOREIGN BANKS IN THE UNITED STATES OVER THE PAST FEW YEARS HAS BEEN SO DRAMATIC THAT NEW YORK NOW RIVALS LONDON AS THE INTERNATIONAL BANKING CENTER. THIS INFLUX HAS PROMPTED GOVERNMENT OFFICIALS AND THE U-S CONGRESS TO TAKE A NEW LOOK AT THE SUBJECT OF FOREIGN BANKING. VOA'S FRED COOPER HAS A BACKGROUND REPORT.

VOICE: IN THE MID-NINETEEN SIXTIES THERE WERE ONLY ABOUT A DOZEN FOREIGN BANKS IN THE ENTIRE UNITED STATES. NOW THERE ARE ABOUT ONE HUNDRED THIRTY FOREIGN BANK BRANCHES AND AGENCIES IN NEW YORK CITY ALONE. EVEN USUALLY-CONSERVATIVE BANKERS CALL THIS KIND OF GROWTH "REMARKABLE."

SINCE THE NINETEENTH CENTURY, FOREIGN BANKING IN THE UNITED STATES HAS FINANCED FOREIGN TRADE AND INVESTMENT BETWEEN THE U-S AND OTHER COUNTRIES. BUT ACCORDING TO THOMAS CARROL, THERE ARE OTHER FACTORS TO EXPLAIN TODAY'S NEW WAVE OF ARRIVALS. MISTER CARROL IS A PARTNER IN THE FIRM OF PEAT, MARWICK, MITCHELL -- THE ACCOUNTANTS FOR SEVENTY PERCENT OF THE FOREIGN BANKS IN THE UNITED STATES. HE TALKED ABOUT THE RECENT SPURT IN FOREIGN BANK GROWTH:

TAPE: CUT ONE -- CARROL

"THERE ARE A NUMBER OF REASONS: ONE, THE BANKS -- THE EUROPEAN BANKS PRIMARILY AND THE JAPANESE BANKS -- HAVE ACCUMULATED DOLLARS. AND SO IF YOU HAVE DOLLARS, WHAT BETTER PLACE TO INVEST THEM THAN IN A DOLLAR ECONOMIC CLIMATE LIKE THE UNITED STATES. SO THAT'S ONE PRINCIPAL REASON. BUT THEN, THE BANKS HAVE ALWAYS TENDED TO FOLLOW THEIR CUSTOMERS -- WHEN WE SEE LIKE A VOLKSWAGEN (AUTOMOBILE COMPANY) PUTTING A BIG ASSEMBLY PLANT INTO PENNSYLVANIA, OR YOU SEE JAPANESE TRADING COMPANIES COMING IN IN A BIG WAY IN THE U-S, THEY (THE BANKS) ARE FOLLOWING THEIR CUSTOMERS.

TAPE: (CONT) SO IF YOU'RE RUNNING A GERMAN BANK AND YOU WANT TO DEAL WITH VOLKSWAGEN, FROM A COMPETITIVE STANDPOINT, YOU ALMOST HAVE TO BE THERE."

VOICE: ABOUT TWO HUNDRED TWENTY-FIVE FOREIGN BANKS HAVE OFFICES IN THE UNITED STATES. SOME HAVE MERELY ESTABLISHED WHAT ARE CALLED "REPRESENTATIVE OFFICES," WITH SMALL STAFFS WHO SERVE LARGELY TO MAINTAIN CONTACTS BETWEEN THE CORPORATE CUSTOMERS IN THE UNITED STATES AND THEIR HOME COUNTRY BANKS.

HOWEVER, ONE HUNDRED TWENTY TWO BANKS -- WITH ASSETS IN THE U-S OF NINETY THOUSAND MILLION DOLLARS -- EXERCISE MOST OF THE USUAL BANKING FUNCTIONS: MAKING LOANS, ISSUING LETTERS OF CREDIT AND CONDUCTING MONEY MARKET AND FOREIGN EXCHANGE OPERATIONS. SOME OF THESE BANKS HAVE MANY BRANCHES IN SEVERAL STATES AND A FEW PROVIDE A FULL RANGE OF BANKING SERVICES INCLUDING ACCEPTANCE OF CHECKING AND SAVING ACCOUNTS.

THOUGH WESTERN EUROPE AND JAPAN ARE MOST HEAVILY REPRESENTED IN THE UNITED STATES, THERE ARE BANKS FROM NEARLY EVERY PART OF THE WORLD, INCLUDING EASTERN EUROPE. AND MISTER CARROL SAYS THERE IS ROOM FOR STILL MORE:

TAPE: CUT TWO -- CARROL

"IF YOU LOOK AT A COUNTRY AS TINY AS THAILAND, THAILAND RIGHT NOW, IN NEW YORK CITY, HAS TWO BANKS WITH AGENCY OFFICES, THREE OTHERS, WITH APPLICATIONS PENDING FOR LICENSES TO OPERATE AS AGENCIES. AND IF I ASKED THEM A QUESTION: "IS THERE ROOM FOR FIVE THAI BANKS IN THE UNITED STATES?', THEY WOULD SAY, 'YES, THERE IS ENOUGH TRADE BETWEEN THAILAND AND THE UNITED STATES FOR THEM TO DEAL IN FINANCING THE IMPORTS AND THE EXPORTS.'"

FOREIGN BANKS IN THE U-S ARE CONCENTRATED IN THREE STATES -- NEW YORK, CALIFORNIA AND ILLINOIS. A FEW OTHER STATES LIKE GEORGIA, MASSACHUSETTS AND WASHINGTON ALSO ALLOW FOREIGN BANK OPERATIONS. FOREIGN BANKS HAVE ONE MAJOR ADVANTAGE OVER DOMESTIC INSTITUTIONS IN THAT U-S BANKS ARE ONLY PERMITTED TO OPERATE BRANCHES WITHIN A SINGLE STATE, WHILE FOREIGN BANKS CAN BRANCH OUT INTO ANY STATE THAT ACCEPTS THEM. AND MORE STATES ARE PLANNING TO OPEN THEIR DOORS TO FOREIGN BANKS.

SOME AMERICAN BANKERS AND GOVERNMENT OFFICIALS ARE CONCERNED BECAUSE REGULATIONS FOR FOREIGN BANKS ARE NOT AS TIGHT AS THOSE FOR DOMESTIC INSTITUTIONS. THEY ALSO WORRY ABOUT THE INCREASING COMPETITION AMERICAN BANKS ARE FACING FROM FOREIGN INSTITUTIONS AND ABOUT THE IMPLICATIONS FOR THE COUNTRY IN PLANS BY LARGE FOREIGN BANKS TO PURCHASE SOME MAJOR AMERICAN BANKS.

THESE CONCERNS ARE LIKELY TO LEAD TO NEW LEGISLATION BY CONGRESS, SINCE MOST AMERICANS CONSIDER THE INTEGRITY OF THEIR BANKING SYSTEM TO BE A CORNERSTONE OF THE U-S ECONOMY.

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